MIDVAAL LOCAL MUNICIPALITY

(Registration number GT 422)

Annual financial statements for the year ended 30 June 2017

General Information

Legal form of entity	Municipality Municipal demarcation code - GT 422 - Governed by the MFMA (Act 56 of 2003)
Mayoral committee	
Executive Mayor	B.M. Baloyi
Councillors	**Speaker:** F.W. Peters **Chief Whip:** P.C. Pretorius **Mayoral Committee:** W.F. De Agrella until 1 Aug 2016 S. Nkhi until 1 Aug 2016 S.D. Nyaku from 8 Aug 2016 P. Hutcheson-Pretorius D.R. Ryder P.J. Teixira from 8 Aug 2016 A. Tsukudu **Councillors:** M.Z.P. Boland until 1 Aug 2016 W.F. De Agrella from 8 Aug 2016 J.M. Dlangamandla from 8 Aug 2016 M. Hack until 1 Aug 2016 C. Hartman until 1 Aug 2016 B. Hlengwa from 8 Aug 2016 S.E. Hlengwa until 1 Aug 2016 S.M.A. Janse Van Rensburg from 8 Aug 2016 R.F. Jones until 1 Aug 2016 M.C. Kruger from 8 Aug 2016 J. Mabaso from 8 Aug 2016 M.M. Magagula until 1 Aug 2016 M.M. Mahlangu from 8 Aug 2016 C. Makhanda from 8 Aug 2016 S. Maphalla until 1 Aug 2016 I.S. Matsose until 1 Aug 2016 M.L. Modikeng H.J. Mokoena until 1 Aug 2016 E. Moleko until 1 Aug 2016 M.J. Mphasawe from 8 Aug 2016 S. Muirhead from 8 Aug 2016 M. Myburgh from 8 Aug 2016 M. Ndebele from 8 Aug 2016 M.G.I. Ngcobo from 8 Aug 2016 H.P. Oosthuysen from 8 Aug 2016 L. Parsonson C. Pypers P. Ramushu M.S. Schoeman M.B. Tabo from 8 Aug 2016 A. Van Tonder until 1 Aug 2016

General Information

Grading of local authority	Grade 4 Local Municipality - In terms of Remuneration of Public Office Bearers Act.Act 20 of 1998
Accounting Officer	A.S.A. De Klerk
Chief Finance Officer (CFO)	A.L. Van Schalkwyk
Registered office	Civic Centre 25 Mitchell Street Meyerton Gauteng 1961
Postal address	P O Box 9 Meyerton Gauteng 1960
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa
Attorneys	Brian Blignaut Attorneys / Cheadle Thompson & Haysom Inc / Douglas Langley Bennett / Klopper Jonker Attorneys Malherbe Rigg & Ranwell / Mkhabela Huntley Adekeye Inc / Mills & Groenewald / Meise Nkaiseng & Conveyancers / Moodie & Robertson / Nozuko Nxusani Inc / Poswa Inc / Ramushu Mashile Twala Inc / Salijee Du Plessis Van Der Merwe Inc / Taleni-Godi Inc

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COGTA	Co-operative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DSCAR	Department of Sport, Arts, Culture and Recreation
GDARD	Gauteng Department of Agriculture and Rural Development
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member Mayoral Committee
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2017.

A.S.A de Klerk
Municipal Manager
30 August 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	3	9 334 758	9 415 823
Consumer debtors	4	112 627 909	102 863 646
VAT receivable	5	7 952 807	8 791 112
Receivables from non-exchange transactions	6	15 234 089	13 673 461
Other receivables from exchange transactions	7	3 959 764	5 895 125
Cash and cash equivalents	8	130 090 874	99 999 502
		279 200 201	**240 638 669**
Non-Current Assets			
Property, plant and equipment	9	1 981 950 457	2 012 136 318
Investment property	10	46 569 574	46 565 940
Intangible assets	11	5 958 265	1 695 447
Heritage assets	12	18 701	18 701
		2 034 496 997	**2 060 416 406**
Total Assets		**2 313 697 198**	**2 301 055 075**
Liabilities			
Current Liabilities			
External loans	13	16 228 511	16 640 653
Finance lease obligation	14	5 934 669	5 355 504
Consumer deposits	15	15 315 894	13 859 907
Short term portion of long-term liability	16	-	2 251 341
Trade and other payables from exchange transactions	17	96 342 114	103 287 347
Unspent conditional grants and receipts	18	-	23 521
		133 821 188	**141 418 273**
Non-Current Liabilities			
External loans	13	124 640 298	129 044 137
Finance lease obligation	14	12 918 047	15 704 084
Provisions	19	35 988 970	29 769 111
Employee benefit obligation	20	16 141 923	16 443 605
		189 689 238	**190 960 937**
Total Liabilities		**323 510 426**	**332 379 210**
Net Assets		**1 990 186 772**	**1 968 675 865**
Accumulated surplus		1 990 186 772	1 968 675 865

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	21	539 591 731	480 662 946
Other income	22	23 660 977	23 164 565
Interest received - investment	23	10 376 673	7 611 156
Interest received - consumer debtors		8 312 153	11 253 663
Rental of facilities and equipment		610 113	1 359 303
Gain on disposal of assets		144 905	372 206
Total revenue from exchange transactions		**582 696 552**	**524 423 839**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	164 774 788	146 376 223
Transfer revenue			
Government grants & subsidies	25	133 853 677	122 880 707
Fines, penalties and forfeits	26	49 028 621	48 424 110
Public contributions and donations		12 901 624	6 109 043
Developers contributions	27	9 638 844	11 157 552
Total revenue from non-exchange transactions		**370 197 554**	**334 947 635**
Total revenue	28	**952 894 106**	**859 371 474**
Expenditure			
Cost of sales	29	(261 654 882)	(239 020 021)
Employee related costs	30	(211 112 656)	(203 225 012)
Depreciation and amortisation	31	(116 485 634)	(112 758 461)
Debt impairment	32	(90 941 510)	(83 124 493)
General expenses	33	(54 527 833)	(50 013 107)
Repairs and maintenance		(50 705 738)	(51 359 630)
Contracted services	34	(53 022 626)	(48 944 670)
Electrical distribution losses	35	(27 264 020)	(25 220 919)
Water non revenue	36	(26 224 439)	(24 696 876)
Finance costs	37	(18 795 842)	(18 887 515)
Remuneration of councillors	38	(10 627 671)	(9 548 510)
Cost of free basic services	39	(9 704 530)	(8 324 453)
Loss on disposal of assets		(173 973)	(656 800)
Grants and subsidies paid		(141 845)	(220 620)
Total expenditure		**(931 383 199)**	**(876 001 087)**
Operating surplus (deficit)		**21 510 907**	**(16 629 613)**
Surplus (deficit) for the year		**21 510 907**	**(16 629 613)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	**1 985 305 478**	**1 985 305 478**
Changes in net assets		
Deficit for the year	(16 629 613)	(16 629 613)
Total changes	(16 629 613)	(16 629 613)
Balance at 01 July 2016	**1 968 675 865**	**1 968 675 865**
Changes in net assets		
Surplus for the year	21 510 907	21 510 907
Total changes	21 510 907	21 510 907
Balance at 30 June 2017	**1 990 186 772**	**1 990 186 772**

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		389 944 688	370 725 162
Cash receipts from services / charges		444 165 579	393 634 313
Interest income		10 376 673	7 611 156
		844 486 940	771 970 631
Payments			
Cash paid to employees		(221 740 317)	(212 773 516)
Cash paid to suppliers and other		(490 214 811)	(424 287 513)
Finance costs		(18 795 842)	(18 887 515)
		(730 750 970)	(655 948 544)
Net cash flows from operating activities	57	**113 735 970**	**116 022 087**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(72 608 102)	(79 856 975)
Proceeds from sale of property, plant and equipment	9	346 908	725 224
Purchase of investment property	10	(31 634)	(9 940)
Proceeds from sale of investment property	10	-	374 000
Purchase of intangible assets	11	(4 328 909)	(1 307 679)
Net cash flows from investing activities		**(76 621 737)**	**(80 075 370)**
Cash flows from financing activities			
Decrease in external loans		(4 815 981)	(15 114 248)
(Decrease) / increase in finance leases		(2 206 880)	5 898 168
Decrease in other long term liabilities		-	(2 251 341)
Net cash flows from financing activities		**(7 022 861)**	**(11 467 421)**
Net increase / (decrease) in cash and cash equivalents		**30 091 372**	**24 479 296**
Cash and cash equivalents at the beginning of the year		99 999 502	75 520 206
Cash and cash equivalents at the end of the year	8	**130 090 874**	**99 999 502**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	563 738 438	(25 176 994)	**538 561 444**	539 591 731	**1 030 287**	Minor deviation
Interest received - consumer debtors	8 400 000	(1 500 000)	**6 900 000**	8 312 153	**1 412 153**	Low uptake on interest waiver scheme
Gain on disposal of assets	100 000	-	**100 000**	144 905	**44 905**	Unpredictable revenue source
Rental of facilities and equipment	1 404 000	-	**1 404 000**	610 113	**(793 887)**	Low demand
Other income	25 980 758	(1 003 000)	**24 977 758**	23 660 977	**(1 316 781)**	Minor deviation
Interest received - investment	3 800 000	1 500 000	**5 300 000**	10 376 673	**5 076 673**	Higher cash balances than anticipated
Total revenue from exchange transactions	**603 423 196**	**(26 179 994)**	**577 243 202**	**582 696 552**	**5 453 350**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	154 255 330	8 052 834	**162 308 164**	164 774 788	**2 466 624**	Minor deviation
Transfer revenue						
Government grants & subsidies	136 621 947	500 000	**137 121 947**	133 853 677	**(3 268 270)**	Minor deviation
Public contributions and donations	5 110 831	4 489 114	**9 599 945**	12 901 624	**3 301 679**	Slow uptake in development
Fines, penalties and forfeits	52 822 604	-	**52 822 604**	49 028 621	**(3 793 983)**	Minor deviation
Developers contribution	11 100 000	(1 480 000)	**9 620 000**	9 638 844	**18 844**	Slow uptake in development
Total revenue from non-exchange transactions	**359 910 712**	**11 561 948**	**371 472 660**	**370 197 554**	**(1 275 106)**	
Total revenue	**963 333 908**	**(14 618 046)**	**948 715 862**	**952 894 106**	**4 178 244**	
Expenditure						
Employee related costs	(225 741 636)	1 168 107	**(224 573 529)**	(211 112 656)	**13 460 873**	Minor deviation
Remuneration of councillors	(10 741 406)	-	**(10 741 406)**	(10 627 671)	**113 735**	Minor deviation
Electricity distribution losses	(26 262 216)	-	**(26 262 216)**	(27 264 020)	**(1 001 804)**	Minor deviation
Grants and subsidies paid	(220 000)	(143 975)	**(363 975)**	(141 845)	**222 130**	Minor deviation
Depreciation and amortisation	(144 869 000)	-	**(144 869 000)**	(116 485 634)	**28 383 366**	Budget overstated
Finance costs	(17 920 843)	-	**(17 920 843)**	(18 795 842)	**(874 999)**	Landfill rehab
Cost of free basic services	(10 415 394)	-	**(10 415 394)**	(9 704 530)	**710 864**	Minor deviation
Debt Impairment	(85 823 679)	5 431 694	**(80 391 985)**	(90 941 510)	**(10 549 525)**	Indigent policy change
Loss on sale of assets	-	(100 000)	**(100 000)**	(173 973)	**(73 973)**	Unpredictable expenditure item
Repairs and maintenance	(54 909 078)	(1 584 498)	**(56 493 576)**	(50 705 738)	**5 787 838**	Minor deviation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
Bulk purchases	(285 056 874)	10 274 501	**(274 782 373)**	(261 654 882)	**13 127 491**	Minor deviation
Contracted services	(63 225 705)	1 934 104	**(61 291 601)**	(53 022 626)	**8 268 975**	Cost curtailment
Non revenue water	(29 101 211)	334 000	**(28 767 211)**	(26 224 439)	**2 542 772**	Water loss programme
Internal consumption	(917)	917	**-**	-	**-**	
General expenses	(62 208 976)	(953 465)	**(63 162 441)**	(54 527 833)	**8 634 608**	
Total expenditure	**(1 016 496 935)**	**16 361 385**	**(1 000 135 550)**	**(931 383 199)**	**68 752 351**	
Surplus / (Deficit) for the year	**(53 163 027)**	**1 743 339**	**(51 419 688)**	**21 510 907**	**72 930 595**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(53 163 027)**	**1 743 339**	**(51 419 688)**	**21 510 907**	**72 930 595**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
Statement of Financial Position						
Assets						
Current Assets						
Inventories	8 440 421	-	**8 440 421**	9 334 758	**894 337**	Minor deviation
Other receivables from exchange transactions	3 082 190	-	**3 082 190**	3 959 764	**877 574**	Minor deviation
Receivables from non-exchange transactions	2 836 222	-	**2 836 222**	15 234 089	**12 397 867**	Increase in traffic fines
VAT receivable	11 577 708	-	**11 577 708**	7 952 807	**(3 624 901)**	Timing of payments
Consumer debtors	165 967 998	-	**165 967 998**	112 627 909	**(53 340 089)**	Write off of debt for indigents
Cash and cash equivalents	44 717 945	(2 784 765)	**41 933 180**	130 090 874	**88 157 694**	Expenditure lower than anticipated
	236 622 484	**(2 784 765)**	**233 837 719**	**279 200 201**	**45 362 482**	
Non-Current Assets						
Investment property	46 930 000	-	**46 930 000**	46 569 574	**(360 426)**	Minor variances
Property, plant and equipment	1 925 222 095	10 724 185	**1 935 946 280**	1 981 950 457	**46 004 177**	Lower depreciation cost
Intangible assets	496 941	-	**496 941**	5 958 265	**5 461 324**	Asset classification
Heritage assets	18 701	-	**18 701**	18 701	**-**	None
	1 972 667 737	**10 724 185**	**1 983 391 922**	**2 034 496 997**	**51 105 075**	
Total Assets	**2 209 290 221**	**7 939 420**	**2 217 229 641**	**2 313 697 198**	**96 467 557**	
Liabilities						
Current Liabilities						
External loans	17 869 122	-	**17 869 122**	16 228 511	**(1 640 611)**	Minor variances
Finance lease obligation	6 108 722	-	**6 108 722**	5 934 669	**(174 053)**	Saving on Hp's
Trade and other payables from exchange transactions	116 318 390	-	**116 318 390**	96 342 115	**(19 976 275)**	Timing of payments
Consumer deposits	13 483 009	-	**13 483 009**	15 315 894	**1 832 885**	Minor variances
Provisions	511 369	(511 369)	**-**	-	**-**	None
	154 290 612	**(511 369)**	**153 779 243**	**133 821 189**	**(19 958 054)**	
Non-Current Liabilities						
External loans	120 775 013	10 681 745	**131 456 758**	124 640 298	**(6 816 460)**	Minor variances
Finance lease obligation	14 197 922	(324 999)	**13 872 923**	12 918 047	**(954 876)**	Minor variances
Employee benefit obligation	16 350 021	-	**16 350 021**	16 141 923	**(208 098)**	Minor variances

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reason
Provisions	33 606 164	-	**33 606 164**	35 988 969	**2 382 805**	Minor variances
	184 929 120	**10 356 746**	**195 285 866**	**189 689 237**	**(5 596 629)**	
Total Liabilities	**339 219 732**	**9 845 377**	**349 065 109**	**323 510 426**	**(25 554 683)**	
Net Assets	**1 870 070 489**	**(1 905 957)**	**1 868 164 532**	**1 990 186 772**	**122 022 240**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 870 070 489	(1 905 957)	**1 868 164 532**	1 990 186 772	**122 022 240**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	154 255 330	8 052 834	162 308 164	-		162 308 164	164 774 788		2 466 624	102 %	107 %
Service charges	563 738 438	(25 176 994)	538 561 444	-		538 561 444	539 591 731		1 030 287	100 %	96 %
Investment revenue	3 800 000	1 500 000	5 300 000	-		5 300 000	10 376 673		5 076 673	196 %	273 %
Transfers recognised - operational	96 252 947	(928 301)	95 324 646	-		95 324 646	92 056 376		(3 268 270)	97 %	96 %
Other own revenue	99 807 362	(3 983 000)	95 824 362	-		95 824 362	91 395 613		(4 428 749)	95 %	92 %
Total revenue (excluding capital transfers and contributions)	**917 854 077**	**(20 535 461)**	**897 318 616**	**-**		**897 318 616**	**898 195 181**		**876 565**	**100 %**	**98 %**
Employee costs	(225 741 636)	1 168 107	(224 573 529)	-	-	(224 573 529)	(211 112 656)	-	13 460 873	94 %	94 %
Remuneration of councillors	(10 741 406)	-	(10 741 406)	-	-	(10 741 406)	(10 627 671)	-	113 735	99 %	99 %
Debt impairment	(85 823 679)	5 431 694	(80 391 985)			(80 391 985)	(90 941 510)	-	(10 549 525)	113 %	106 %
Depreciation and asset impairment	(144 869 000)	-	(144 869 000)			(144 869 000)	(116 485 634)	-	28 383 366	80 %	80 %
Finance charges	(17 920 843)	-	(17 920 843)	-	-	(17 920 843)	(18 795 842)	-	(874 999)	105 %	105 %
Materials and bulk purchases	(285 056 874)	10 274 501	(274 782 373)	-	-	(274 782 373)	(261 654 882)	-	13 127 491	95 %	92 %
Transfers and grants	(29 101 211)	334 000	(28 767 211)	-	-	(28 767 211)	(26 224 439)	-	2 542 772	91 %	90 %
General expenses	(217 242 286)	(846 917)	(218 089 203)	-	-	(218 089 203)	(195 540 565)	-	22 548 638	90 %	90 %
Total expenditure	**(1 016 496 935)**	**16 361 385**	**(1 000 135 550)**	**-**	**-**	**(1 000 135 550)**	**(931 383 199)**	**-**	**68 752 351**	**93 %**	**92 %**
Surplus/(Deficit)	**(98 642 858)**	**(4 174 076)**	**(102 816 934)**	**-**		**(102 816 934)**	**(33 188 018)**		**69 628 916**	**32 %**	**34 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	40 369 000	1 428 301	41 797 301	-		41 797 301	41 797 301		-	100 %	104 %
Contributions recognised - capital and contributed assets	5 110 831	4 489 114	9 599 945	-		9 599 945	12 901 624		3 301 679	134 %	252 %
Surplus (Deficit) after capital transfers and contributions	**(53 163 027)**	**1 743 339**	**(51 419 688)**	**-**		**(51 419 688)**	**21 510 907**		**72 930 595**	**(42)%**	**(40)%**
Surplus/(Deficit) for the year	**(53 163 027)**	**1 743 339**	**(51 419 688)**	**-**		**(51 419 688)**	**21 510 907**		**72 930 595**	**(42)%**	**(40)%**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2016				
Financial Performance				
Property rates				146 376 223
Service charges				480 662 946
Investment revenue				7 611 156
Transfers recognised - operational				84 176 846
Other own revenue				95 731 399
Total revenue (excluding capital transfers and contributions)				**814 558 570**
Employee costs	-	-	-	(203 225 012)
Remuneration of councillors	-	-	-	(9 548 510)
Debt impairment	-	-	-	(83 124 493)
Depreciation and asset impairment	-	-	-	(112 758 461)
Finance charges	-	-	-	(18 887 515)
Materials and bulk purchases	-	-	-	(239 020 021)
Transfers and grants	-	-	-	(24 696 876)
Other expenditure	-	-	-	(184 740 199)
Total expenditure	**-**	**-**	**-**	**(876 001 087)**
Surplus/(Deficit)				**(61 442 517)**
Transfers recognised - capital				38 703 861
Contributions recognised - capital and contributed assets				6 109 043
Surplus (Deficit) after capital transfers and contributions				**(16 629 613)**
Surplus/(Deficit) for the year				**(16 629 613)**

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

All figures are rounded to the nearest Rand, unless specified otherwise.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These judgements and sources of estimation uncertainty have been covered in the relevant notes and relevant accounting policies.

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventories

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the discounted cash flow projection assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occured, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions are recognised when:

- The municipality has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure to be required to settle the present obligation at the reporting date.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the note of Provisions.

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the note of Contingencies.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement and other long-term benefits

The present value of the post retirement and other long-term benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term benefits are based on current market conditions. Additional information is disclosed in the notes.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for impairment of financial assets

On receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost, including transaction costs, once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property (continued)

Cost model

Investment property is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Where property, plant and equipment is acquired through non-exchange transactions, the cost is deemed to be the item’s fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

The municipality depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated using the straight-line method, over the estimated useful lives of the assets.

The depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land	Indefinite
Infrastructure	
• Buildings	30
• Roads and paving	3 - 50
• Electricity	3 - 60
• Water	5 - 55
• Sewerage	10 - 60
• Landfill site	17
Community	
• Buildings	30
• Recreational facilities	20 - 30
• Security	5
Other property, plant and equipment	
• Buildings	30
• Specialised vehicles	10 - 30
• Other vehicles	5
• Furniture and fittings	10
• Vehicles	5
• Bins and containers	5 - 10
• Office equipment	3 - 10
Capitalised leased assets	
• Vehicles	5

The asset management policy contains the details of the components and their specific useful life estimates.

Accounting Policies

1.5 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

At each reporting date all items of property, plant and equipment are reviewed for any indication that it may be impaired. An impairment exists when an assets' carrying amount is greater than its recoverable amount or recoverable service amount. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal and the carrying value and is recognised in the statement of financial performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

Intangible assets are identifiable when they can be separated from the municipality, i.e. are capable of being separated or divided from the municipality and sold, exchanged, licensed, or when they arise as a result of a contractual or other legal right, excluding those legal rights that arise from statute.

The municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the municipality can measure the cost or fair value of the asset reliably.

An intangible asset is measured initially at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at the date.

Accounting Policies

1.7 Intangible assets (continued)

The municipality does not recognise internally generated goodwill as an intangible asset. It also does not recognise internally generated brands, mastheads, publishing titles, customer lists and items similar in substance, as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

The municipality assesses whether the useful life or service potential of an intangible asset is finite or indefinite. The municipality regards an intangible asset as having an indefinite useful life when there is no foreseeable limit to the period over which the municipality expects the asset to generate net cash inflows or service potential for the municipality. Intangible assets with indefinite useful lives are not amortised.

The useful life of an intangible asset that arises from contractual or legal rights does not exceed the period of the contractual or legal rights, but may be shorter depending on the period over which the municipality expects to use the asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually. The estimated useful lives are as follows:

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Item	Average useful life
Computer software	3 - 5 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in the note - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Accounting Policies

1.8 Heritage assets (continued)

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises a heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Repairs and maintenance after derecognition

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the annaul financial statements.

1.9 Financial instruments

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another enity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables fron non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

Accounting Policies

1.9 Financial instruments (continued)

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term liabilities / external loans	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are impaired. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirty, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contigent rents are expensed in the period in which they are incurred.

1.11 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

Inventories are subsequently measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula, except for water balance which is determined at cost at the reporting date due to it being measured at reporting date.

Accounting Policies

1.11 Inventories (continued)

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality, it generates commercial return. Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

1.14 Employee benefits (continued)

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality’s informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements.

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

1.14 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

The municipality provides post-retirement health care benefits upon retirement to some retirees. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

1.14 Employee benefits (continued)

Other long term employee benefits

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long term service awards are recognised in the statement of financial performance

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.15 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If a municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes in the Financial Statements.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and note on impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

1.17 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.17 Revenue from non-exchange transactions (continued)

Transfers (Including grants)

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Gifts and donations (Including goods in-kind)

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind that are significant to the municipality's operations and / or service delivery objectives are recognised as assets
and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality
and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

1.18 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

1.19 Commitments

Items are classified as commitments when a municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.19 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the annual financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

The municipality discloses each class of capital assets (PPE, Investment properties, Intangible assets and Heritage assets) recognised in the financial statements, as well as future minimum lease payments under non-cancellable operating leases, for each of the following periods:

- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years:

1.20 Budget information

The municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which are given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2016 to 30 June 2017.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the statement of comparison of budget and actual amounts.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other municipality, or exercise significant influence over the other municipality, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all Heads of department or members of the municipal council of the reporting municipality where that council has jurisdiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

Close members of the family of an individual are close relatives of the individual or members of the individual’s immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.23 VAT

The municipality is registered with the South African Revenue Services (SARS) for Value Added Tax (VAT) on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

1.27 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Accounting Policies

1.27 Statutory receivables (continued)

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
    - derecognises the receivable; and
    - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 16 (as revised 2015): Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the annual financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015): Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the annual financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate annual financial statements.

It furthermore covers definitions, preparation of separate annual financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated annual financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers definitions, joint arrangements, annual financial statements and parties to a joint arrangement, separate annual financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its annual financial statements to evaluate:
- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers definitions, disclosing information about interests in other entities, significant judgements and assumptions, Investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in the budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB’s amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106 (as amended 2016): Transfers of Functions Between Entities Not under Common Control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard furthermore states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

3. Inventories

Maintenance materials - electricity	7 099 775	7 564 594
Maintenance materials - water	1 651 862	1 339 867
Water	369 926	372 485
Fuel (diesel, petrol)	213 195	138 877
	9 334 758	**9 415 823**

4. Consumer debtors

Gross balances		
Rates	55 506 114	45 411 448
Electricity	28 340 749	24 582 671
Water	58 746 759	56 829 937
Sewerage	9 252 151	20 284 494
Refuse	10 698 315	16 622 767
Other	54 904 535	52 289 293
	217 448 623	**216 020 610**
Less: Allowance for impairment		
Rates	(27 955 153)	(23 426 639)
Electricity	(5 878 358)	(6 738 104)
Water	(30 578 875)	(32 466 227)
Sewerage	(4 388 549)	(11 982 754)
Refuse	(5 663 663)	(9 712 051)
Other	(30 356 116)	(28 831 189)
	(104 820 714)	**(113 156 964)**
Net balance		
Rates	27 550 961	21 984 809
Electricity	22 462 391	17 844 567
Water	28 167 884	24 363 710
Sewerage	4 863 602	8 301 740
Refuse	5 034 652	6 910 716
Other	24 548 419	23 458 104
	112 627 909	**102 863 646**
Rates		
Current (0 - 30 days)	6 276 833	7 145 698
31 - 60 days	2 445 350	941 929
61 - 90 days	1 103 130	728 971
91 - 120 days	797 955	515 828
121 - 365 days	8 280 446	4 071 726
> 365 days	8 647 247	8 580 657
	27 550 961	**21 984 809**
Electricity		
Current (0 - 30 days)	16 181 113	12 953 262
31 - 60 days	1 980 640	1 073 431
61 - 90 days	488 700	240 331
91 - 120 days	209 385	142 665
121 - 365 days	1 430 735	900 142
> 365 days	2 171 818	2 534 736
	22 462 391	**17 844 567**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Consumer debtors (continued)

Water

Current (0 - 30 days)	9 644 057	3 488 607
31 - 60 days	3 230 778	807 964
61 - 90 days	1 264 027	562 448
91 - 120 days	603 246	396 093
121 - 365 days	3 416 673	2 779 583
> 365 days	10 009 103	16 329 015
	28 167 884	**24 363 710**

Sewerage

Current (0 - 30 days)	1 464 099	1 469 550
31 - 60 days	443 312	173 258
61 - 90 days	182 139	118 687
91 - 120 days	175 983	96 267
121 - 365 days	1 192 732	742 174
> 365 days	1 405 337	5 701 804
	4 863 602	**8 301 740**

Refuse

Current (0 - 30 days)	1 276 006	1 439 387
31 - 60 days	344 614	170 062
61 - 90 days	209 235	237 457
91 - 120 days	157 661	183 250
121 - 365 days	1 334 697	789 709
> 365 days	1 712 439	4 090 851
	5 034 652	**6 910 716**

Other

Current (0 -30 days)	7 256 053	5 369 001
31 - 60 days	826 819	157 942
61 - 90 days	475 301	183 738
91 - 120 days	406 161	175 301
121 - 365 days	7 233 118	7 148 795
> 365 days	8 350 967	10 423 327
	24 548 419	**23 458 104**

Summary of debtors by customer classification

Residential

Current (0 - 30 days)	28 339 112	21 825 580
31 - 60 days	5 808 309	3 054 784
61 - 90 days	4 523 849	2 605 406
91 - 120 days	2 812 990	2 632 511
121 - 365 days	45 173 666	29 364 195
> 365 days	90 626 872	127 131 586
	177 284 798	186 614 062
Less: Allowance for impairment	(96 148 750)	(107 116 259)
	81 136 048	**79 497 803**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

4. Consumer debtors (continued)

Industrial/commercial		
Current (0 - 30 days)	13 657 321	11 363 277
31 - 60 days	3 807 290	348 882
61 - 90 days	296 136	319 799
91 - 120 days	524 458	155 299
121 - 365 days	7 312 150	2 316 020
> 365 days	10 223 642	9 390 175
	35 820 997	23 893 452
Less: Allowance for impairment	(8 668 202)	(6 006 805)
	27 152 795	**17 886 647**

National and provincial government		
Current (0 - 30 days)	713 372	332 443
31 - 60 days	285 859	580 927
61 - 90 days	61 584	115 978
91 - 120 days	37 228	67 150
121 - 365 days	627 436	1 143 052
> 365 days	2 617 350	3 273 543
	4 342 829	5 513 093
Less: Allowance for impairment	(3 762)	(33 900)
	4 339 067	**5 479 193**

Total		
Current (0 - 30 days)	42 709 804	33 521 302
31 - 60 days	9 901 459	3 984 594
61 - 90 days	4 881 569	3 041 183
91 - 120 days	3 374 676	2 854 960
121 - 365 days	53 113 252	32 823 267
> 365 days	103 467 863	139 795 304
	217 448 623	216 020 610
Less: Allowance for impairment	(104 820 714)	(113 156 964)
	112 627 909	**102 863 646**

Less: Allowance for impairment		
31 - 60 days	(1 241 589)	(1 655 797)
61 - 90 days	(1 159 038)	(660 009)
91 - 120 days	(1 024 283)	(969 550)
121 - 365 days	(30 224 851)	(1 345 558)
> 365 days	(71 170 953)	(108 526 050)
	(104 820 714)	**(113 156 964)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(113 156 964)	(89 464 518)
Contributions to allowance	(55 711 131)	(48 124 495)
Debt impairment written off against allowance	64 047 381	1 390 281
Reversal of allowance	-	23 041 768
	(104 820 714)	**(113 156 964)**

Figures in Rand	2017	2016

4. Consumer debtors (continued)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors impaired

As of 30 June 2017, ageing consumer debtors of R104 820 714 - (2016: R113 156 964) were impaired and provided for.

5. VAT receivable

SARS	7 952 807	8 791 112

6. Receivables from non-exchange transactions

Traffic fines	11 640 749	9 297 418
Other receivables from non-exchange revenue	1 650 391	3 212 069
Government grants and subsidies	1 942 949	1 163 974
	15 234 089	**13 673 461**

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions impaired

As of 30 June 2017, other receivables from non-exchange transactions of R35 230 379 - (2016: R35 000 000) were impaired and provided for.

An amount of R2 354 392 has been reduced or cancelled during 2017.

The ageing of these traffic fines are as follows:

< 365	7 671 171	6 108 100
> 365	3 969 578	3 189 318

7. Other receivables from exchange transactions

Sundry debtors	2 824 691	4 613 974
Deposits paid on purchase of properties	995 963	1 021 948
Rentals	63 260	206 923
Pre-paid expenses	75 850	52 280
	3 959 764	**5 895 125**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Figures in Rand	2017	2016

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	129 741 204	99 670 402
Other cash and cash equivalents	349 670	329 100
	130 090 874	**99 999 502**

Current Account (Primary bank account): ABSA Bank Ltd - Public Sector Gauteng East Branch

Current Account (Traffic fines): First National Bank - Meyerton Branch and ABSA Bank Ltd - Public Sector Gauteng East Branch

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2017**	**30 June 2016**	**30 June 2015**
ABSA Bank Ltd	132 728 496	99 628 679	77 395 330	129 643 093	99 630 294	75 020 569
FNB	87 757	40 108	110 588	87 757	40 108	111 597
ABSA Bank Ltd	10 354	-	-	10 354	-	-
Total	**132 826 607**	**99 668 787**	**77 505 918**	**129 741 204**	**99 670 402**	**75 132 166**

Guarantees held in lieu of electricity and water deposits:

Itron / Ontec	-	13 350 000
Sedibeng Brewery Pty Ltd / Heineken	7 109 000	7 109 000
Other	340 200	340 200
	7 449 200	**20 799 200**

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	116 038 665	-	116 038 665	106 159 749	-	106 159 749
Infrastructure	2 642 760 965	(917 271 538)	1 725 489 427	2 582 257 537	(815 086 463)	1 767 171 074
Community	140 585 722	(56 108 702)	84 477 020	136 813 065	(50 464 600)	86 348 465
Other property, plant and equipment	70 816 107	(37 636 311)	33 179 796	60 044 475	(33 915 707)	26 128 768
Motor vehicles - leased	35 793 232	(13 027 683)	22 765 549	35 793 233	(9 464 971)	26 328 262
Total	**3 005 994 691**	**(1 024 044 234)**	**1 981 950 457**	**2 921 068 059**	**(908 931 741)**	**2 012 136 318**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Re-classification	Depreciation and impairment loss	Total
Land	106 159 749	9 930 000	-	(51 084)	-	116 038 665
Infrastructure	1 767 171 074	58 148 940	(3 072)	2 157 706	(101 985 221)	1 725 489 427
Community	86 348 465	6 130 506	-	(2 157 706)	(5 844 245)	84 477 020
Other property, plant and equipment	26 128 768	12 372 213	(344 903)	-	(4 976 282)	33 179 796
Motor vehicles - leased	26 328 261	-	-	-	(3 562 712)	22 765 549
	2 012 136 317	**86 581 659**	**(347 975)**	**(51 084)**	**(116 368 460)**	**1 981 950 457**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation and Impairment loss	Total
Land	106 451 463	51 086	(342 800)	-	106 159 749
Infrastructure	1 807 153 528	59 809 137	-	(99 791 591)	1 767 171 074
Community Assets	86 225 049	6 073 604	-	(5 950 188)	86 348 465
Other property, plant and equipment	22 675 529	7 702 501	(353 016)	(3 896 246)	26 128 768
Motor vehicles - leased	17 906 591	11 432 933	-	(3 011 263)	26 328 261
	2 040 412 160	**85 069 261**	**(695 816)**	**(112 649 288)**	**2 012 136 317**

Pledged as security

No portion of property, plant and equipment has been pledged as securities for liabilities, other than obligations under finance leases that are secured by the lessor's charge over the leased assets.

During the year re-classification of land amounting to R51 084 were included in the above and were classified as intangible assets.

Work-in-Progress:

There was no project that took significantly longer to complete than expected or has been halted during the current reporting period.

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	78 912 509	78 912 509
Movement for the year: community assets	2 126 640	2 126 640
Movement for the year: infrastructure	20 430 328	20 430 328
	101 469 477	**101 469 477**

Figures in Rand	2017	2016

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	60 068 950	60 068 950
Movement for the year	18 843 559	18 843 559
	78 912 509	**78 912 509**

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

	2017	2016
Infrastructure	34 328 478	33 376 221
Community assets	6 330 150	6 712 499
Other	10 047 111	11 270 910
	50 705 739	**51 359 630**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

RDP Houses

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17.

Total value: R16 200 000 (2016: R16 200 000).

10. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Vacant land	46 569 574	-	46 569 574	46 565 940	-	46 565 940

Reconciliation of investment property - 2017

	Opening balance	Additions	Disposals	Total
Vacant land	46 565 940	31 634	(28 000)	46 569 574

Reconciliation of investment property - 2016

	Opening balance	Additions	Disposals	Total
Vacant land	46 930 000	9 940	(374 000)	46 565 940

Pledged as security

No portion of investment properties has been pledged as securities for liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

10. Investment property (continued)

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the year no repairs and maintenance was incurred on investment properties.

11. Intangible assets

	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software / servitudes	6 404 938	(446 673)	5 958 265	2 024 945	(329 498)	1 695 447

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Re-classification	Amortisation	Total
Computer software / servitudes	1 695 447	4 328 909	51 084	(117 175)	5 958 265

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software / servitudes	496 941	1 307 679	(109 173)	1 695 447

Pledged as security

No portion of Intangible assets has been pledged as securities for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Other heritage assets	18 701	-	18 701	18 701	-	18 701

Reconciliation of heritage assets 2017

	Opening balance	Total
Other heritage assets	18 701	18 701

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Heritage assets (continued)

Reconciliation of heritage assets 2016

	Opening balance	Total
Other heritage assets	18 701	18 701

Pledged as security

No portion of heritage assets has been pledged as securities for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the year no repairs and maintenance was incurred on heritage assets.

13. External loans

	2017	2016
At amortised cost		
External loans	140 868 809	145 684 790

The loans are repayable in semi-annual installments. Interest is charged at rates varying between 6.75% and 13.54%

	2017	2016
Non-current liabilities		
At amortised cost	124 640 298	129 044 137
Current liabilities		
At amortised cost	16 228 511	16 640 653

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017
Standard Bank - 1	20 000 000	15 931 492	-	1 721 081	14 210 411
Standard Bank - 2	34 000 000	25 765 652	-	2 783 467	22 982 185
Standard Bank - 3	26 000 000	20 354 864	-	2 198 938	18 155 926
DBSA 61000374	10 390 100	4 207 357	-	916 458	3 290 899
DBSA 61000377	17 840 900	2 581 249	-	2 581 249	-
DBSA 61000801	13 100 000	8 502 583	-	871 308	7 631 275
DBSA 61000802	38 150 000	24 733 159	-	2 534 547	22 198 612
DBSA 61000803	4 950 000	3 237 535	-	331 769	2 905 766
DBSA 61000804	13 800 000	8 951 068	-	917 267	8 033 801
DBSA 61000961	15 700 000	11 943 868	-	817 357	11 126 511
DBSA 61000962	12 650 000	11 000 242	-	361 696	10 638 546
DBSA 61000963	1 500 000	1 410 396	-	12 847	1 397 548
DBSA 61000964	8 800 000	5 978 216	-	541 212	5 437 004
DBSA 61000965	1 350 000	1 087 109	-	51 458	1 035 651
ABSA	12 000 000	-	12 000 000	175 326	11 824 674
	230 231 000	**145 684 790**	**12 000 000**	**16 815 980**	**140 868 809**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

14. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	7 534 652	7 166 583
- in second to fifth year inclusive	14 684 804	18 190 307
	22 219 456	25 356 890
less: future finance charges	(3 366 740)	(4 297 302)
Present value of minimum lease payments	**18 852 716**	**21 059 588**

	2017	2016
Non-current liabilities	12 918 047	15 704 084
Current liabilities	5 934 669	5 355 504
	18 852 716	**21 059 588**

It is municipal policy to lease certain motor vehicles under finance leases.

The average lease term was 3 - 5 years and the average effective borrowing rate was 7% - 10.70% (2016: 7% - 10.70%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Lease number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017
81265513	641 448	13 082	-	13 082	-
SB19977492-0001	1 074 031	277 127	-	254 814	22 313
SB19977492-0002	486 027	125 413	-	115 307	10 105
SB19977492-0003	402 938	103 972	-	95 596	8 377
1SB9977492-0004	554 705	279 115	-	117 363	161 752
SB19974923-0005	476 716	239 873	-	100 863	139 010
SB19977492-0006	399 931	200 993	-	84 519	116 474
SB19977492-0007	2 134 741	1 114 922	-	450 363	664 559
SB19977492-0008	500 754	311 057	-	100 789	210 268
SB19977492-0009	1 228 213	766 609	-	244 823	521 785
SB19977492-0010	1 093 820	681 711	-	217 710	464 000
SB19977492-0011	279 300	174 027	-	55 575	118 452
SB19977492-0012	986 100	633 091	-	195 500	437 592
SB19977492-0013	373 534	237 549	-	74 477	163 073
SB19977492-0014	485 342	315 365	-	96 152	219 213
SB19977492-0015	899 126	628 530	-	174 962	453 568
SB19977492-0016	899 126	628 530	-	174 962	453 568
SB19977492-0017	242 914	174 334	-	46 415	127 918
SB19977492-0018	173 406	124 449	-	33 133	91 316
SB19977492-0019	173 406	124 118	-	33 560	90 558
SB19977492-0020	522 599	380 879	-	100 095	280 785
SB19977492-0021	522 599	380 879	-	100 095	280 785
SB19977492-0022	522 599	380 879	-	100 095	280 785
SB19977492-0023	395 869	288 313	-	75 767	212 546
SB19977492-0024	174 922	138 016	-	32 549	105 467
SB19977492-0025	174 922	138 016	-	32 549	105 467
SB19977492-0026	292 712	236 419	-	54 339	182 080
SB19977492-0027	309 807	250 227	-	57 513	192 714
SB19977492-0028	175 150	159 606	-	30 254	129 352
SB19977492-0029	175 150	159 606	-	30 254	129 352
SB19977492-0030	119 126	108 555	-	20 577	87 978
SB19977492-0031	119 126	108 555	-	20 577	87 978
SB19977492-0032	354 248	322 811	-	61 190	261 621

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

14. Finance lease obligation (continued)

SB19977492-0033	354 248	322 811	-	61 190	261 621
SB19977492-0034	354 248	322 811	-	61 190	261 621
SB19977492-0035	354 248	322 811	-	61 190	261 621
SB19977492-0036	354 248	322 811	-	61 190	261 621
SB19977492-0037	354 248	322 811	-	61 190	261 621
SB19977492-0038	354 248	322 811	-	61 190	261 621
SB19977492-0039	354 248	322 811	-	61 190	261 621
SB19977492-0040	119 126	108 467	-	20 560	87 906
SB19977492-0041	147 609	134 401	-	25 476	108 924
SB19977492-0042	147 609	134 401	-	25 476	108 924
SB19977492-0043	183 669	167 234	-	31 700	135 534
SB19977492-0045	274 890	250 291	-	47 444	202 848
SB19977492-0046	244 995	222 891	-	42 250	180 641
SB19977492-0047	119 126	108 378	-	20 544	87 835
SB19977492-0048	147 609	134 291	-	25 455	108 836
SB19977492-0049	197 157	179 077	-	33 945	145 133
SB19977492-0050	1 088 505	988 686	-	187 409	801 277
SB19977492-0051	192 679	175 437	-	33 255	142 183
SB19977492-0052	1 062 326	981 318	-	181 757	799 561
SB19977492-0053	959 323	882 250	-	161 099	721 151
SB19977492-0054	261 645	247 910	-	43 885	204 025
SB19977492-0055	261 645	247 910	-	43 885	204 025
SB19977492-0056	387 771	374 618	-	64 860	309 758
SB19977492-0057	747 210	725 880	-	122 959	602 921
SB19977492-0058	1 297 354	1 284 279	-	212 903	1 071 376
SB19977492-0059	1 258 248	1 245 564	-	206 486	1 039 079
NED1727061-0001	681 336	-	681 336	21 963	659 373
NED1727061-0002	260 719	-	260 719	8 404	252 315
NED1727061-0003	260 719	-	260 719	8 404	252 315
NED1727061-0004	2 050 723	-	2 050 723	66 104	1 984 618
	32 196 136	**21 059 588**	**3 253 497**	**5 460 372**	**18 852 716**

15. Consumer deposits

Consumer deposits - electricity and water	15 315 894	13 859 907

16. Short term portion of long-term liability

ESKOM - payments		
Opening balance	2 251 341	7 654 561
Payments made	(2 251 341)	(5 403 220)
	-	**2 251 341**

ESKOM - liability		
Short term portion of liability	**-**	**2 251 341**

During an audit conducted by the Energy Loss Programme staff of Eskom it was found that Midvaal municipality was not billed for one day on 1 August 2009 that lead to an under recovery of R137 923. An amount of R630 102 was under recovered due to metering changes that have not been excepted by the Eskom system for 36 days, Eskom utilised Midvaal municipality's current transformers for the period 1 March 2010 to 30 September 2010 to retrieve data for Eskom billing purposes.

An amount of R11 847 855 was under recovered based on the Energy Loss Programme audit findings for the period March to September 2010. An amount of R5 226 207 was under recovered due to phases that were swopped on the metering installation and phasing problems were experienced on meter panels 1 and 4 for the period May 2011 to July 2011. Council agreed to enter into an agreement with Eskom to pay off the principal debt of R17 842 087 over a period of 36 months. The account has been settled during the 2016/2017 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

17. Trade and other payables from exchange transactions

	2017	2016
Trade payables	50 733 367	59 333 414
Payments received in advanced	28 055 126	29 822 473
Accrued leave pay	11 398 376	9 683 153
Retensions	5 661 543	4 066 437
Other payables	288 259	293 430
Deposits received	205 443	88 440
	96 342 114	**103 287 347**

The accrual for leave pay relates to vested leave pay to which employees may become entitled to upon leaving the employment of the municipality. The provision arises as employees render a service that increases their entitlement to future compensated leave. The provision is utilised when employees who are entitled to leave pay, leave the employ of the municipality or when the accrued leave due to an employee is utilised.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
Department Agriculture and Rural Development Grant	-	23 521

Movement during the year

	2017	2016
Balance at the beginning of the year	23 521	148 590
Income recognition during the year	(23 521)	(125 069)
	-	**23 521**

19. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Movements	Total
Landfill rehabilitation	29 769 111	6 219 859	35 988 970

Reconciliation of provisions - 2016

	Opening Balance	Movements	Total
Landfill rehabilitation	24 790 797	4 978 314	29 769 111

	2017	2016
Non-current liabilities	35 988 970	29 769 111
	35 988 970	**29 769 111**

Environmental rehabilitation provision - Landfill

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Henley-on-Klip, Vaal Marina and Walkerville landfill sites. The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat. from Environmental and Sustainability Solutions CC. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Profession as well as the Southern African Institute of Ecologists and Environmental Scientists. Mr Godschalk is also a member of the Institute of Municipal Finance Officers.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

19. Provisions (continued)

Key financial assumptions used in this calculation were as follows:

CPI	5,6372%	5,6372%	5,6372%
Discount rate	8,6372%	8,1372%	8,1372%
Nett effective discount rate	3%	2,5%	2,5%

The 2017 amount of the discounted landfill closure provision of R35 988 970 represents an increase of R6 219 860 over the provision of R29 769 110 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R2 471 812.

The 2017 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2017. The size of the landfill sites used up until now and estimated remaining useful lives are as follows:

	Henley-on-Klip landfill	**Vaal Marina landfill**	**Walkerville landfill**
Approximate size used until 30June 2017	7,971 ha	1,611 ha	2,091 ha
Remaining useful lives	3 years	19 years	10 years

20. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Midvaal municipality operates on 5 accredited medical aid schemes, namely Hosmed, Key Health, SAMWU Med, Bonitas and LA Health.

Midvaal provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, which the municipality is associated with, a member (subject to the applicable conditions of service) on retirement, is entitled to remain a continued member of such medical fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

Pension benefits

Council and employees contribute towards the under-mentioned pension funds whose operations are subject to the Pension Fund Act, 1956.

The municipality does not apply "defined benefit accounting" to defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to apply "defined benefit accounting" was requested from the various funds, but information received from these funds was insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in the future to ensure that these benefit plans could be accounted for as "defined benefit accounting". As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

The Council subscribes to the following pension funds:

- Municipal Gratuity Fund
- Joint Municipal Employees Pension Fund
- Germiston Municipal Retirement Fund
- Old Mutual Sala Pension Fund
- National Fund For Municipal Workers
- SAMWU National Provident Fund
- Councillors Pension Fund

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

20. Employee benefit obligations (continued)

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined fund for certain pensioners under old rules taken up in the rules of the fund. During 2005 GMRF outsourced the full administration of the pensioners component which relates to old rules of a defined benefit fund. To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of the future contributions once these are assessed. In the case of surpluses, no change is made in the rate contributions. In the case of deficits, the municipality will increase contributions on a phase in basis.

The amounts recognised in the statement of financial position are as follows:

	2017	2016
Carrying value		
Present value of the defined benefit obligation - post retirement medical aid plan	(6 301 603)	(6 846 134)
Present value of long service awards	(9 840 320)	(9 597 471)
	(16 141 923)	**(16 443 605)**

Post retirement medical aid plan:

Key assumptions used:

	2017	2016
Discount rates used	9,30 %	9,22 %
Consumer price inflation	6,15 %	6,85 %
Health care cost inflation	7,65 %	8,35 %
Net discount rate	1,53 %	0,80 %

The discount rate was determined by using the Bond Exchange Zero Coupon Yield Curve and as at 30 June 2017 was 9.30% (2016: 9.22%) per annum.

It is fairly common to expect a pensioner's income to be lower than the income earned just prior to retirement. The difference between the income after retirement and the income just prior to retirement is referred to as the Net Replacement Ratio. The Net Replacement Ratio is used to reduce the expected salary on retirement. We have assumed a Net Replacement Ratio on retirement of 75%. A salary inflation assumption is used to adjust the salary from the current date to the date of retirement. This assumption should be considered in conjunction with the assumed CPI rate.

The valuation basis assumes that the health care cost inflation rate (which manifests itself as the annual increase to the total contribution subsidised by the employer) will be 0.80% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

	1% decrease R's	**Valuation basis R's**	**1% increase R's**
Employer's accrued liability	5 784 678	6 301 603	6 889 438
Employer's service cost *	121 948	134 962	149 934
Employe's interest cost *	517 986	565 962	620 534

Therefore, a 1% increase in the health care cost inflation assumption will result in a 9.32% increase in the accrued liability.

Similarly, a 1% decrease in the health care cost inflation assumption will result in a 8.20% decrease in the accrued liability.

* The total movement on the service and interest charges was used in the table.

The present value of the post retirement medical aid obligation for the current and previous four years is as follows:

	2017	**2016**	**2015**	**2014**	**2013**
Post retirement medical aid	6 301 603	6 846 134	5 782 398	4 528 000	3 614 000

We are not aware of any assets set aside for post-employment health care funding that qualify as plan assets.

Figures in Rand	2017	2016

20. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2017	2016
Opening balance	(6 846 134)	(5 781 398)
Benefits paid	363 278	346 884
Net income / (expense) recognised in the statement of financial performance	181 253	(1 411 620)
	(6 301 603)	**(6 846 134)**

Net expense recognised in the statement of financial performance

	2017	2016
Current service cost	(118 461)	(71 501)
Interest cost	(614 153)	(473 154)
Actuarial (gains) losses	913 867	(866 965)
	181 253	**(1 411 620)**

Long service awards:

We have applied the Projected Unit Credit Method to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. These variations emerge at each valuation as actuarial gains or losses.

Key asumptions used:

	2017	2016
Discount rates used	8,72 %	9,77 %
Consumer price inflation	6,01 %	6,97 %
Salary increase rate	7,01 %	7,97 %
Net discount rate	1,60 %	0,74 %

The discount rate was determined by using the Bond Exchange Zero Coupon Yield Curve and as at 30 June 2017 is 8.72% (2016: 9.77%) per annum.

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1.60% (2016: 0.74%) less than the corresponding discount rate, in the long term.

The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% decrease R's	Valuation basis R's	1% increase R's
Employer's	9 201 577	9 840 320	10 547 837
Employer's expense cost *	885 435	958 291	1 040 080
Employer's interest cost *	757 549	813 049	874 547

The above table illustrates that for the 30 June 2017 financial year, a 1% increase in the salary cost inflation assumption will result in roughly a 7.19% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 6.49% decrease in the accrued liability.

* The total movement on the service and interest charges was used in the table.

The present value of the long service awards for the current and previous four years is as follows:

	2017	2016	2015	2014	2013
Long service awards	9 840 320	9 597 471	7 891 632	7 361 000	5 241 000

We are not aware of any assets set aside for long service awards funding that qualify as plan assets.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

20. Employee benefit obligations (continued)

Changes in the present value of the long service awards are as follows:

Opening balance	9 597 471	7 891 632
Benefits paid	(881 744)	(792 732)
Net income / (expense) recognised in the statement of financial performance	1 124 593	2 498 571
	9 840 320	**9 597 471**

Net expense recognised in the statement of financial performance		
Current service cost	980 631	948 377
Interest cost	803 034	591 614
Actuarial (gains) losses	(659 072)	958 580
	1 124 593	**2 498 571**

The net expense relating to employee benefit obligations recognised in the statement of financial performance is included within employee remuneration.

21. Service charges

Sale of electricity	311 209 523	273 891 151
Sale of water	163 423 175	142 408 109
Sewerage and sanitation charges	34 292 058	34 494 321
Refuse removal	30 666 975	29 869 365
	539 591 731	**480 662 946**

22. Other income

Reconnection fees	5 889 501	5 964 068
New connection fees	4 951 928	3 563 422
SETA refunds	4 218 129	310 743
Building plans	1 828 292	2 304 117
Planning fees and permits	1 291 006	581 889
Rehabilitation fees (landfill site)	1 122 727	1 860 915
Sundry income	949 292	4 765 497
Insurance claims	885 707	716 216
Cemetery income	630 483	656 456
Service charges	455 473	634 829
Clearance / valuation certificates	381 031	759 547
SCM tender fees	333 715	178 060
Entrance fees	141 445	172 446
Final readings	127 415	145 313
Access to information / copies / faxes	80 808	103 059
Traffic escourts	76 939	119 646
Telephone income	66 884	122 730
Advertising	95 971	117 537
Cleaning of stands	60 829	-
Impounding of vehicles	18 923	6 240
Building plan copies	18 132	16 654
Stock adjustment	13 890	17 825
Surplus cash	13 558	6 850
Meter test fees	5 221	5 346
Lost and damage library material	1 308	2 013
Membership fees	1 206	1 759
Lost tokens	684	395
Dishonoured cheques	480	5 572
Recovered legal cost	-	25 421
	23 660 977	**23 164 565**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

23. Investment revenue

Interest received - investments		
Bank	10 376 673	7 611 156

24. Property rates

Rates received

Residential	173 934 534	149 298 050
Agricultural	74 398 306	19 487 311
Commercial	44 399 796	40 521 545
State	7 829 051	8 546 768
Municipal	2 374 190	1 875 790
Less: income forgone	(138 161 089)	(73 353 241)
	164 774 788	**146 376 223**

Valuations - figures are displayed in R'000

Residential	14 342 128	12 854 844
Agricultural	5 596 870	6 956 584
Commercial	2 969 739	2 493 166
Other	380 693	540 907
Municipal	349 010	343 459
State	298 395	127 526
	23 936 835	**23 316 486**

A valuation roll is compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 which is used as basis to levy property rates. The last general valuation roll came into effect on 1 July 2011. The MEC of COGTA gave approval for extention of the validity of the valuation roll until 30 June 2018.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.015406 - (2016: 0.014399) is applied to property valuations to determine assessment rates. Rebates are granted to various property owners amounting to R138 161 089 (2016: R73 353 241)

Rates are levied on a monthly basis and interest is levied after due date.

25. Government grants and subsidies

Operating grants		
Equitable Share	70 863 000	63 385 000
Specific Contribution towards Councillors (Equitable Share)	5 538 000	4 906 000
Department Sport, Arts, Culture and Recreation Grant	5 041 699	4 340 000
Provincial Health Subsidies	4 101 287	4 196 235
Environmental Subsidy Grant	2 458 390	2 392 611
Financial Management Grant	1 475 000	1 450 000
Municipal Infrastructure Grant	1 300 000	1 250 000
Expanded Public Works Programme Grant	1 279 000	1 327 000
Municipal System Improvement Grant	-	930 000
	92 056 376	**84 176 846**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Government grants and subsidies (continued)

Capital grants		
Municipal Infrastructure Grant	29 039 000	29 563 000
Integrated National Electrification Programme	9 000 000	4 000 000
Department Sport, Arts, Culture and Recreation Grant	3 758 301	1 928 478
Regional Bulk Infrastructure Grant	-	2 742 012
Sedibeng Capital Grant	-	345 302
Department Agriculture and Rural Development Grant	-	125 069
	41 797 301	**38 703 861**
	133 853 677	**122 880 707**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy, which is funded from the grant.

Current-year receipts	76 401 000	68 291 000
Conditions met - transferred to revenue	(76 401 000)	(68 291 000)
	-	-

Financial Management Grant

Current-year receipts	1 475 000	1 450 000
Conditions met - transferred to revenue	(1 475 000)	(1 450 000)
	-	-

Municipal System Improvement Grant

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Municipal Infrastructure Grant

Current-year receipts	30 339 000	30 813 000
Conditions met - transferred to revenue	(30 339 000)	(30 813 000)
	-	-

Department Sport, Arts, Culture and Recreation Grant

Current-year receipts	8 800 000	6 268 477
Conditions met - transferred to revenue	(8 800 000)	(6 268 477)
	-	-

Expanded Public Works Programme Grant

Current-year receipts	1 279 000	1 327 000
Conditions met - transferred to revenue	(1 279 000)	(1 327 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Government grants and subsidies (continued)

Provincial Health Subsidy

Current-year receipts	4 101 287	4 196 235
Conditions met - transferred to revenue	(4 101 287)	(4 196 235)
	-	-

Environmental Subsidy Grant

Current-year receipts	2 458 390	2 392 611
Conditions met - transferred to revenue	(2 458 390)	(2 392 611)
	-	-

Regional Bulk Infrastructure Grant

Current-year receipts	-	2 742 012
Conditions met - transferred to revenue	-	(2 742 012)
	-	-

Department Agriculture and Rural Development Grant

Balance unspent at beginning of year	-	148 590
Conditions met - transferred to revenue	-	(125 069)
	-	**23 521**

Integrated National Electrification Programme

Current-year receipts	9 000 000	4 000 000
Conditions met - transferred to revenue	(9 000 000)	(4 000 000)
	-	-

Sedibeng Capital Grant

Current-year receipts	-	345 302
Conditions met - transferred to revenue	-	(345 302)
	-	-

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. Fines, penalties and forfeits

Traffic fines	48 161 698	46 628 010
Bad debt written off - recovered	847 260	1 775 830
Library penalties	19 663	20 270
	49 028 621	**48 424 110**

The Traffic fine revenue of R48 161 698 (2016: R46 628 010) was raised of which R35 230 379 (2016: R35 000 000) was impaired.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

27. Developers contribution

Developers contributions	9 638 844	11 157 552

Developers contributions are payable in terms of the Council's policy and applicable legislation to finance the upgrading of bulk infructructure.

28. Revenue

Service charges	539 591 731	480 662 946
Property rates	164 774 788	146 376 223
Government grants & subsidies	133 853 677	122 880 707
Fines, penalties and forfeits	49 028 621	48 424 110
Other income	23 660 977	23 164 565
Public contributions and donations	12 901 624	6 109 043
Interest received - investment	10 376 673	7 611 156
Developers contribution	9 638 844	11 157 552
Interest received - consumer debtors	8 312 153	11 253 663
Rental of facilities and equipment	610 113	1 359 303
Gain on disposal of assets	144 905	372 206
	952 894 106	**859 371 474**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	539 591 731	480 662 946
Other income	23 660 977	23 164 565
Interest received - investment	10 376 673	7 611 156
Interest received - consumer debtors	8 312 153	11 253 663
Rental of facilities and equipment	610 113	1 359 303
Gain on disposal of assets	144 905	372 206
	582 696 552	**524 423 839**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	164 774 788	146 376 223
Transfer revenue		
Government grants & subsidies	133 853 677	122 880 707
Fines, penalties and forfeits	49 028 621	48 424 110
Public contributions and donations	12 901 624	6 109 043
Developers contribution	9 638 844	11 157 552
	370 197 554	**334 947 635**

29. Cost of sales

Electricity	203 544 955	184 892 777
Water	58 109 927	54 127 244
	261 654 882	**239 020 021**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. Employee related costs

Basic	125 873 283	123 311 210
Pension	24 764 064	23 375 778
Medical aid - company contributions	10 959 276	10 050 204
Overtime payments	10 288 168	9 178 439
Leave bonus	9 685 658	8 906 029
Travel, motor car, accommodation, subsistence and other allowances	8 035 502	7 820 559
Standby / acting allowance	3 115 435	3 196 666
Skills development levy	1 691 833	1 604 045
Housing benefits and allowances	1 311 733	1 400 922
Cell phone allowance	1 283 132	1 259 804
Redemption of leave	1 201 718	1 045 847
UIF	1 070 580	1 011 730
Post retirement medical	363 577	302 955
Group insurance	185 785	192 018
Other payroll levies	61 953	55 921
	199 891 697	**192 712 127**

Remuneration of municipal manager - A.S.A. De Klerk

Annual remuneration	1 397 792	1 305 031
Car allowance	144 000	168 000
Contributions to UIF, medical and mension funds	234 117	202 501
Other	245 820	141 215
	2 021 729	**1 816 747**

Remuneration of chief finance officer - A.L. Van Schalkwyk

Annual remuneration	1 086 295	1 019 683
Car allowance	144 000	144 000
Contributions to UIF, medical and pension funds	236 745	220 465
Other	25 200	25 229
	1 492 240	**1 409 377**

Remuneration of the ED Community Services - S.M. Mosidi

Annual remuneration	1 012 840	947 563
Car allowance	216 000	216 000
Contributions to UIF, medical and pension funds	238 199	220 584
Other	24 600	25 935
	1 491 639	**1 410 082**

Remuneration of the ED Engineering Services - S. Coetzee

Annual remuneration	1 082 215	1 015 163
Car allowance	156 000	156 000
Contributions to UIF, medical and pension funds	228 825	212 985
Other	33 178	24 170
	1 500 218	**1 408 318**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

30. Employee related costs (continued)

Remuneration of the Deputy Municipal Manager - T.W. Peeters

Annual remuneration	1 646 071	1 562 241
Car allowance	60 000	60 000
Contributions to UIF, medical and pension funds	1 785	1 785
Other	24 600	26 641
	1 732 456	**1 650 667**

Remuneration of the ED Protection Services - E. Lensley

Annual remuneration	1 179 266	1 114 786
Car allowance	30 000	30 000
Contributions to UIF, medical and pension funds	257 771	239 361
Other	24 000	25 229
	1 491 037	**1 409 376**

Remuneration of the ED Development Planning and Housing - H. Human

Annual remuneration	1 171 735	1 090 163
Car allowance	180 000	180 000
Contributions to UIF, medical and pension funds	115 305	113 985
Other	24 600	24 170
	1 491 640	**1 408 318**

Total remuneration - executive managers	11 220 959	10 512 885

Total employee cost

Remunerations - municipal staff	199 891 697	192 712 127
Remunerations - executive managers	11 220 959	10 512 885
	211 112 656	**203 225 012**

31. Depreciation and amortisation

Property, plant and equipment	116 368 459	112 649 288
Intangible assets	117 175	109 173
	116 485 634	**112 758 461**

32. Debt impairment

Contribution to debt impairment - traffic fines	35 230 379	35 000 000
Contributions to debt impairment - consumer debtors	55 711 131	48 124 493
	90 941 510	**83 124 493**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
33. General expenses		
Fleet	7 387 820	6 586 169
Rental	7 111 035	8 717 687
Legal expenses	6 295 044	3 039 933
Insurance	4 110 220	3 305 829
Auditors remuneration	3 236 928	2 270 369
Delivery expenses	3 147 647	2 668 293
Consumables	3 132 924	3 010 466
Other expenses	2 434 201	2 695 894
Subscriptions and membership fees	2 186 360	2 218 968
Community development and training	1 903 093	1 769 141
Advertising	1 843 920	1 322 210
Printing and stationery	1 679 927	1 214 151
Protective clothing	1 586 136	1 730 780
Bank charges	1 590 212	1 442 699
Travel - local	1 254 048	1 162 215
Training	858 620	937 513
Entertainment	753 692	576 571
Telephone and fax	720 867	1 113 910
Secretarial fees	691 217	580 420
Valuation roll	647 772	711 694
Postage and courier	494 225	491 576
Motor vehicle expenses	417 976	384 844
Computer expenses	400 335	389 976
Magazines, books and periodicals	197 020	388 696
Donations	165 650	237 983
Services to informal settlements	169 285	-
Non-capital assets expensed	84 507	996 026
Transport and freight	16 560	11 628
Marketing	9 208	7 920
Medical expenses	1 384	-
Long service recognition awards	-	26 023
Bursaries and student practical work	-	3 523
	54 527 833	**50 013 107**
34. Contracted services		
Specialist services	49 709 913	45 834 078
Other contractors	3 312 713	3 110 592
	53 022 626	**48 944 670**
35. Electrical distribution losses		
Electrical distribution losses - technical	15 031 054	10 811 478
Electrical distribution losses - non technical	12 232 966	14 409 441
	27 264 020	**25 220 919**
36. Water Non Revenue		
Water non revenue - technical	12 440 874	11 360 563
Water non revenue - non technical	13 783 565	13 336 313
	26 224 439	**24 696 876**
37. Finance costs		
Non-current borrowings	16 324 030	17 380 243
Unwinding of discount - landfill site provision	2 471 812	1 507 272
	18 795 842	**18 887 515**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

38. Remuneration of Councillors

Total remuneration cost - Councillors	10 627 671	9 548 510

Remuneration of the Mayor:

Allowance	590 296	568 509
Travel	196 765	189 503
Telephone	28 800	20 868
	815 861	**778 880**

Remuneration of the MMC's:

Allowance	2 213 610	2 131 913
Travel	737 870	710 638
Telephone	114 000	104 340
	3 065 480	**2 946 891**

Remuneration of the Speaker:

Allowance	472 235	454 808
Travel	157 412	151 603
Telephone	28 800	20 868
	658 447	**627 279**

Remuneration of the Section 79 Committee Members:

Allowance	474 948	403 173
Travel	158 316	134 391
Telephone	45 600	38 258
	678 864	**575 822**

Remuneration of the Councillors:

Allowance	3 640 299	3 200 940
Travel	1 233 625	969 965
Telephone	535 095	448 733
	5 409 019	**4 619 638**

In-kind benefits

2017

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.
The Mayor has four full-time bodyguards.

2016

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.
The Mayor has four full-time bodyguards.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

39. Cost of free basic services

Cost of free basic services - water and electricity

	2017	2016
Cost of free basic water	9 286 352	8 133 720
Cost of free basic electricity	418 178	190 733
	9 704 530	**8 324 453**

The cost to the municipality in providing free basic water and electricity to alleviate poverty in disadvantaged communities.

40. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At amortised cost	Total
Consumer debtors	112 627 910	112 627 910
Cash and cash equivalents	130 090 874	130 090 874
Other receivables	19 193 853	19 193 853
	261 912 637	**261 912 637**

Financial liabilities

	At amortised cost	Total
External loans / long term liabilities	140 868 809	140 868 809
Payables from exchange transactions	96 342 115	96 342 115
Finance lease obligation	18 852 716	18 852 716
Consumer deposits	15 315 894	15 315 894
	271 379 534	**271 379 534**

2016

Financial assets

	At amortised cost	Total
Consumer debtors	102 863 646	102 863 646
Cash and cash equivalents	99 999 502	99 999 502
Other receivables	19 568 586	19 568 586
	222 431 734	**222 431 734**

Financial liabilities

	At amortised cost	Total
External loans / long term liabilities	147 936 131	147 936 131
Payables from exchange transactions	103 287 347	103 287 347
Finance lease obligation	21 059 588	21 059 588
Consumer deposits	13 859 907	13 859 907
	286 142 973	**286 142 973**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

40. Financial instruments disclosure (continued)

Financial instruments in statement of financial performance

2017

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	18 688 826	18 688 826
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(16 324 030)	(16 324 030)
Debt impairment loss	(90 941 510)	(90 941 510)
	(88 576 714)	**(88 576 714)**

2016

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	18 864 819	18 864 819
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(17 380 243)	(17 380 243)
Debt impairment loss	(83 124 493)	(83 124 493)
	(81 639 917)	**(81 639 917)**

41. Auditors' remuneration

Fees	3 236 928	2 270 369

42. Commitments

Authorised capital expenditure

Approved and contracted		
• Property, plant and equipment	44 984 396	15 928 963
Total capital commitments		
Already contracted for but not provided for	44 984 396	15 928 963

Authorised operational expenditure

Approved and contracted		
• Expenditure	29 401 647	22 581 618
Total operational commitments		
Approved and contracted	29 401 647	22 581 618

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, Provincial and National grant funding and developer contributions.

The municipality approved the implementation of the 2017/18 carry over adjustment budget as allowed by section 28 of the Municipal Finance Management Act as well as section 23 of the Municipal Budget and Reporting regulations (projects from the 2016/2017 financial year to be carried over to the 2017/2018 financial year) during August 2017.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

42. Commitments (continued)

Section 28(2)(e) of the MFMA states the following: “An adjustments budget may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the Council".

Section 23(5) of the Regulations as published in volume 526 of the Government Gazette No 32141 dated 17 April 2009, states the following: “An adjustment budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.”

43. Contingencies

On 20 May 2011 the State President issued a proclamation establishing the SIU to investigate certain allegations in respect of the Midvaal local municipality. The report on the outcome of the investigation has not yet been issued. However, in the mean time the SIU has issued accounts to be paid for the work it is set to have done. Council resolved under item C 1137/06/2014 that National or Provincial Treasury be approached for the exemption of the payment of the fees in terms of Section 5(1a) of the Special Investigation Units and Special Tribunals Act (74 of 1996) - R985 576.25.

National Treasury has been approached to request that the amount be written off on 9 June 2017. No response has been received to date.

The municipality received an invoice of R43 550 153 from Department of Water and Sanitation for water extraction. The municipality never extracted the invoiced water and the amount is currently in dispute. DWS is busy with an investigation into the matter with a view of withdrawing the invoice should they find no water extraction point.

Contingent liabilities arising from third party claims and litigation

		Economic entity	Controlling entity	
Name	Case no		2017	2016
* Mr Delport	0813-12014	Accident manhole	200 000	200 000
* Mrs Jordaan	0813-12114	House built on wrong property	2 000 000	2 000 000
* Mrs du Toit	28803/2016 0813-12238	Stolen electrical cable resulting in house burnt down	4 500 000	4 500 000
* Mr G Visagie	0313-11864	Construction related	5 000 000	5 000 000
* Mr NG Damane		Stolen electrical cable	-	10 000
* Mrs Q van Wyk	0114-12239	Stolen electrical cable	-	10 000
* Meyerton Golf Club	513-51479002	Signs removed	225 000	225 000
* Mr Nel	315-51485117	Hit pothole	-	12 882
* Meyerton Golf Club	0815-51498420	Roof collapse	30 000	30 000
* Mr T Vilkazi	1215-12604	Tree fell on property	12 000	12 000
* Mr H Loots	0116-12621	Tree fell on property	-	25 000
* Telkom	0116-12622	Telkom cable damaged by council tractor	50 000	50 000
* Portion 55	0116-12637	Removal of waste dump on farm	72 000	72 000
* Kubali	0216-12679	Council tractor damaging wall	10 000	10 000
* M Ganda	0616-12936	Hit the soil heap	152 458	-
* Mr PE Lloyd	0315-12740	Tree fell on property	10 000	10 000
* City to City	1016-13124	Traffic officer damaged bus	10 000	-
* CF Oberholzer	116204	Vehicle crashed due to high trees next to road	33 600	-
* R Swart	0416-12812	Sewer overflowed	10 000	-
* Mr K Suritie	0416-12812	T/P Property damage	10 000	10 000
Telkom SA Ltd	21445/2011	Damages claim	187 785	187 785
MA Ramaoke	38281/2010	Claim for damages	642 389	643 389
GW Bezuidenhout	930/2017	Summons - potholes	3 000	-

Notes to the Annual Financial Statements

Figures in Rand			2017	2016
43. Contingencies (continued)				
SL Jacobs	22470/06	Injury on duty	109 692	109 692
RR Mashego	175/2015	Rescission of judgement - erf 26 Witkop	70 000	70 000
Deparment of Environmental Affairs	MM9391	Fine in terms of NEMA	-	300 000
			13 337 924	**13 618 146**

* Midvaal municipality potentially has no financial exposure to R12 325 058 (2016 - R12 217 280) of the above contingent liabilities, as a claim was submitted in terms of the municipality's insurance portfolio.

44. Related parties

Relationships

Close family member of key management	Management remuneration - refer to employee related costs and remuneration of councillors notes
Joint venture of key management	None
Associate of close family member of key management	As per schedule
Members of key management	Refer to note on employee related cost for information

	Associate members of in the service of State	Contract value	
Company			
Price Waterhouse Coopers - Combined Systems	LS Machaba, TSB Jali & F Khan	-	5 666
Price Waterhouse Coopers	LS Machaba, TSB Jali & F Khan	-	581 794
Vuvuzela Hotline Pty Ltd	W Bouwer	-	51 564
		-	**639 024**

Price Waterhouse Coopers was used during 2016/2017 but as per the CSD information they had no associate members in the service of the State.

45. Prior period errors

No prior period errors have been identified for the 2015/2016 financial year.

46. Comparative figures

Note 30 - Summary of employee related costs have been reclassified within employee related costs in 2016. The change has no effect on the financial performance.

47. Risk management

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

47. Risk management (continued)

2017	Less than 1 year	Between 2 - 5 years	More than 5 years
Trade and other payables from exchange transactions	96 342 115	-	-
External loans	16 228 511	80 209 873	44 430 424
Consumer deposits	15 315 894	-	-
Finance lease obligations	5 934 669	12 918 047	-

2016	Less than 1 year	Between 2 - 5 years	More than 5 years
Trade and other payables from exchange transactions	103 287 347	-	-
External loans	16 640 653	97 690 031	31 354 106
Consumer deposits	13 859 907	-	-
Finance lease obligations	5 355 504	15 704 084	-

Interest rate risk

As the municipality has no significant income from interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates. Loans are taken at fixed interest rates to minimise interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating,risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

48. Going concern

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's going concern.

At 30 June 2017, the following liquidity ratio's were measured in terms of MFMA Circular 71 and it was concluded that there are no indicators that treathen the going concern principle:

- Current ratio 2.08 (2016:1.70)
- Cost coverage 2.19 months (2016: 1.77 months)

49. Events after the reporting date

2017

None

50. Unauthorised expenditure

2017

Midvaal municipality did not incur any unauthorised expenditure in the 2016/2017 financial year.

2016

Midvaal municipality did not incur any unauthorised expenditure in the 2015/2016 financial year.

Notes to the Annual Financial Statements

Figures in Rand

51. In-kind donations and assistance

2017

The Municipality received the following in-kind donations and assistance:
National Treasury has provided support to the municipality under the MFIPII programme by deploying an advisor to the municipality from 12 January 2015.

2016

The Municipality received the following in-kind donations and assistance:
National Treasury has provided support to the municipality under the MFIPII programme by deploying an advisor to the municipality from 12 January 2015.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 293 612	2 213 187
Amount paid - current year	(2 293 612)	(2 213 187)
	-	-

Audit fees

Amount paid - current year	3 236 928	2 270 369

PAYE and UIF

Amount paid - current year	29 353 159	27 457 579

Pension and medical aid deductions

Amount paid - current year - pension	36 371 474	34 373 463
Amount paid - current year - medical	19 405 965	17 621 863
	55 777 439	**51 995 326**

VAT

VAT receivable	7 952 807	8 791 112

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

2017

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
J Mabaso	416	1 236	1 652
SD Nyaku (Arrangement)	-	63 193	63 193
	416	**64 429**	**64 845**

Notes to the Annual Financial Statements

Figures in Rand

52. Additional disclosure in terms of Municipal Finance Management Act (continued)

2016

Councillor TC Sikhosana has an outstanding amount of R10 876 for more than 90 days. Arrangements have been made to pay off the arrears. Councillor TC Sikhosana has been appointed as a councillor as from 26 November 2015. During the year no Councillors' had arrear accounts outstanding for more than 90 days.

53. Utilisation of long-term liabilities reconciliation

Long-term liabilities raised	159 721 514	166 744 379
Used to finance property, plant and equipment	(153 051 471)	(159 256 896)
	6 670 043	**7 487 483**

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

The majority of items mentioned had to be addressed in short notice and the response times did not allow for the complete procurement process to be followed. The balance of items were due to emergency circumstances or uneconomic benefits for the municipality.

Class	2017	2016
Emergency	6 557 273	3 228 677
Sole suppliers	4 131 986	8 351 293
Impractical or impossible to follow the process	50 711 278	17 351 205
Special work of art	629 864	4 500
	62 030 401	**28 935 675**

55. Budget differences

Material differences between budget and actual amounts

The total expenditure for the year was less than the approved expenditure budget. Refer to the statement of comparison of budget and actual amounts for additional information.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

Notes to the Annual Financial Statements

Figures in Rand

56. Unaccounted water and electricity

Electricity	Technical loss / Non technical loss 2016/2017		
	Units	Amounts	Percentage
Technical loss	16 478 581	15 031 054	6,50 %
Non technical loss	13 411 030	12 232 966	5,29 %
	29 889 611	**27 264 020**	**11,79 %**

	Technical loss / Non technical loss 2015/2016		
	Units	Amounts	Percentage
Technical loss	12 201 194	10 811 478	5,01 %
Non technical loss	16 261 642	14 409 441	6,65 %
	28 462 836	**25 220 919**	**11,66 %**

Year	Units purchased	Units sold	Loss in distribution	Percentage
2016/2017				
Units	253 494 894	223 605 283	29 889 611	11,79 %
Amount	231 227 153	203 963 133	29 889 611	
2015/2016				
Units	244 023 874	215 561 038	28 462 836	11,66 %
Amount	216 229 555	191 008 636	25 220 919	

The unit sold amount is calculated according to the unit purchased amount.

Water	Technical loss / Non technical loss 2016/2017		
	Units	Amounts	Percentage
Technical loss	1 646 232	12 440 873	13,29 %
Non technical loss	1 823 903	13 783 565	14,72 %
	3 470 135	**26 224 438**	**28,01 %**

	Technical loss / Non technical loss 2015/2016		
	Units	Amounts	Percentage
Technical loss	1 716 097	11 360 563	13,16 %
Non technical loss	2 014 549	13 336 313	15,45 %
	3 730 646	**24 696 876**	**28,61 %**

Year	Units purchased	Units sold	Loss in distribution	Percentage
2016/2017				
Units	12 388 313	8 918 178	3 470 135	28,01 %
Amount	93 620 718	67 396 279	26 224 439	
2015/2016				
Units	13 038 026	9 307 380	3 730 646	28,61 %
Amount	86 311 731	61 614 856	24 696 876	

57. Cash generated from operations

Surplus (deficit)	21 510 907	(16 629 613)
Adjustments for:		
Depreciation and amortisation	116 485 634	112 758 461
Loss / (gain) on disposal of assets	29 069	284 596
Debt impairment	90 941 510	83 124 493
Movements in retirement benefit assets and liabilities	(4 049 729)	2 770 575
Movements in provisions	6 219 859	4 978 314
Other non-cash items	(10 225 510)	(2 055 244)
Changes in working capital:		
Inventories	81 065	(688 962)
Other receivables from exchange transactions	1 935 361	(2 277 176)
Consumer debtors	(100 705 775)	(77 614 319)
Other receivables from non-exchange transactions	(1 560 628)	(8 214 654)
Trade and other payables from exchange transactions	(9 196 574)	19 508 776
VAT	838 305	(2 011 382)
Unspent conditional grants and receipts	(23 521)	(125 069)
Consumer deposits	1 455 997	2 213 291
	113 735 970	**116 022 087**

58. Change in estimate

Property, plant and equipment

2017

No changes were made to the useful lives of assets

2016

No changes were made to the useful lives of assets.

Summary of change in estimate: PPE

2017

No changes were made to the useful lives of assets.

2016

No changes were made to the useful lives of assets.

59. Fruitless and wasteful expenditure

2017

No fruitless and wasteful expenditure was recorded in the 2016/2017 financial year.

2016

No fruitless and wasteful expenditure was recorded in the 2015/2016 financial year.

Notes to the Annual Financial Statements

60. Irregular expenditure

2017

No irregular expenditure was recorded in the 2016/2017 financial year.

2016

No irregular expenditure was recorded in the 2015/2016 financial year.

61. Other information

2017

The municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the assessment of the unsolicited bid for the management and maintenance of electricity operations. As at 30 June 2017, the municipality had adopted the Status Quo report as required by section 78(1) of the Municipal Systems Act on 25 May 2017 per item C 1626/05/2017. The transactional advisor is currently busy with the feasibility study.

2016

The municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the assessment of the unsolicited bid for the management and maintenance of electricity operations. As at 30 June 2016 the municipality had appointed a project manager and a transactional advisor who commenced with the feasibility study.

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure			
		Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
MIG	National Government	9 125 000	7 139 000	14 075 000	-	1 195 507	11 192 258	1 928 745	16 022 490
INEP	National Government	6 000 000	1 500 000	1 500 000	-	3 239 196	861 105	-	4 899 699
FMG	National Government	1 475 000	-	-	-	307 073	479 568	572 212	116 147
MSIG	National Government	-	-	-	-	-	-	-	-
EPWP	National Government	320 000	575 000	384 000	-	197 127	697 873	384 000	-
DSCAR	Provincial Government	5 000 000	2 800 000	1 000 000	-	1 185 960	1 112 873	1 289 859	5 211 308
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Provincial Health	Provincial Government	-	607 441	1 348 168	654 195	1 033 815	1 093 538	482 451	-
Environmental Health	Sedibeng District Municipality	153 557	234 914	-	1 618 453	565 722	624 554	632 672	183 976
		22 073 557	12 856 355	18 307 168	2 272 648	7 724 400	16 061 769	5 289 939	26 433 620

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.